

STATE BOARD OF TAX REVIEW

Hoover State Office Building, 4th Floor, Des Moines, Iowa 50319, (515) 281-3204



January 15, 2009

Mr. Michael Marshall
Secretary of the Senate
State Capitol
LOCAL

Dear Mr. Marshall:

Please find enclosed the 2008 Annual Report to the Legislature, as required by statute, from the State Board of Tax Review.

If you have any questions or require anything further, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Frank Stork".

Frank Stork
Chairperson
State Board of Tax Review

FS/bm
Enclosure

**IOWA STATE BOARD OF TAX REVIEW
2008 ANNUAL REPORT
2009 LEGISLATIVE PRIORITIES**

421.1(4)(f)

Iowa Code section 421.1(5) requires the Iowa State Board of Tax Review to submit a report to the General Assembly, at each regular session, on the status of affairs and give direction and recommendations to the Iowa Legislature. Accordingly, the board has assembled a brief overview of 2008 activities and recommendations to legislators for the 2009 session.

The three current members of the board are Frank Stork, Michael Milligan, and Kathleen Koenig. Frank Stork was the chairperson during 2008.

Annual Report of Board Activities

The Board met once during 2008. That meeting is outlined below.

December 3, 2008 – Hoover State Office Building

- Discussion with Mark Schuling, Director; and Dave Casey, Administrator, regarding the Department's 2008 Legislative Summary and recommendations for the 2009 Legislative Session.
- Discussion on Annual Report to General Assembly.

The following is an update on the Board's docketed cases.

- No new appeals were filed with the State Board of Tax Review in 2008.
- *MCC Telephony* (Docket No. 895) and *MCC Telephony* (Docket No. 896) – Both matters were settled by the parties, prior to hearing and the matters were closed.
- There are currently four open appeals on the State Board's docket. Two of those have been remanded back to an Administrative Law Judge for hearing and the other two are cases which are currently in a bankruptcy status are being held in abeyance pending the outcome of bankruptcy proceedings.

Recommendations for the 2009 Legislature

In the 2006 State Board of Tax Review Annual Report to the Legislature, two items (Items I and II below) were recommended for legislation. The Board continues to recommend action on these items. In addition, the Board recommends consideration of a statutory change to facilitate recycling of waste products.

- The Board recommends that the Governor and Legislature provide a statutory clarification of the Iowa use tax exemption for recycling machinery and equipment in order to promote the recycling/reprocessing of waste products in Iowa.
- The Board recognizes that the Governor and Legislature have considered several issues in recent years concerning Iowa's tax policy and, in particular, are asked to take action on the following items:
 - (I) City local option sales tax issues should be considered in the overall picture when annexation takes place. In those cases the annexed areas did not vote for the local option sales tax, and yet they are burdened with that tax. This is an issue that the Board would like the Legislature to address more clearly. What can the Legislature do to protect citizens and businesses that get caught up in the process?
 - (II) Rollback and assessments of residential property. The Board encourages the Legislature and Governor to continue to make property tax reform a priority, especially the rollback and assessment of residential property, and to develop a more balanced system among different classes of property.

The State Board of Tax Review has reviewed the Department of Revenue's 2009 legislative proposals and supports the Department's proposed legislative package for 2009.